

Storage. Reviewing storage is the process of ensuring the contractor provides for adequate protection for Government property when not in use. This includes proper protection from unauthorized removal, pilferage, and theft; protection from water damage, insect and rodent infestation, or from deterioration because of dust, temperature, static electricity and humidity, where applicable. Storage areas should be kept neat, clean and organized. If necessary, the Property Administrator (PA) should obtain additional guidance from the original equipment manufacturer. The PA may also consult with other Government functional or technical specialists for assistance in this area.

To test for compliance, the PA shall ensure the contractor's storage methodology:

- Is commensurate with the kinds of property in their possession and documented in the contractor's procedure.
- Provides proper storage including physical security and control of access, including property awaiting disposition/plant clearance. To test for compliance, the PA shall examine the contractor's facility and perform sufficient testing to ensure that the contractor's procedures address the protection of property both within general purpose warehouses and other storage areas.
- Is augmented, where applicable, to address special protection for sensitive property, hazardous materials, shelf-life items, classified property, material storage compatibility, etc.
- Includes proper protection of property while in outside storage.

Bonded Storage. Unlike conventional storage facilities, bonded warehouses are authorized by local customs authorities to store goods on which payment of duties is deferred until the goods are sold. These goods remain off-shore, in effect, for customs purposes. As a result, costs associated with legally landing them can be postponed until they are actually purchased. The primary advantage of bonded storage is that it eliminates the exporter's exposure to customs and tax expenses for unsold goods, although there are other advantages (Nowek, Derek, source: Worldwide Web). Unless there is a need to defer payment of duties on Government property until it is sold, bonded storage is generally inappropriate. If the contract requires bonded storage, clarification should be sought from the procuring contracting officer.

Commingling. Commingling is the process by which materials common to multiple projects or contracts are stored in a single location and are mixed so as

to lose their identity or ownership. The concept of commingling applies only to the category of material (while it is still in the stockroom), which by its nature can easily lose its identification as Government-owned. Consistent with FAR 52.245-1, the PA is required to approve all cases of material commingling (in the case of DoD, for those situations not covered by an MMAS). To the extent the contract contains the DFARS clause at 252.242-7004, PAs need not review/approve commingling of material.

The disadvantage in commingling lies in the fact that property can lose its identity as Government property, thereby potentially affecting consumption rates, property losses, Government warranties of suitability for use, and disposal actions. The PA's determination as to whether commingling is advantageous to the Government should include consideration of the following:

- Whether it is practical and economical to combine Government and contractor material property in the manufacturing or processing operation; e.g., when a contractor is using a Material Requirements Planning (MRP), Manufacturing Resource Planning (MRPII), Enterprise Resource Planning, or Just-in-Time type material system.
- Whether issue, use, and identification controls are adequate to prevent loss in excess of that which may be reasonable under conditions of segregation.
- Whether procedures exist for the equitable apportionment of inventory loss.

Convenience and apparent ease for the contractor alone is not advantageous to the Government.

In contrast to commingling, the contractor may “co-locate” contractor-owned property with other types of Government-owned property (Special Tooling, Special Test Equipment, Equipment) provided such property is properly identified and secured. Co-locating is not considered commingling within the context of the property clause.

Common stock materials; e.g. nuts, bolts, and screws, are a good example. While stored in their “original pack” or in sealed bags clearly identified as to ownership, the items are considered to be co-located, rather than commingled. When the bags are opened and the contents poured into a bin the items are commingled as each nut, bolt or screw can no longer be identified as to ownership.

